

Governance bodies of family business

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RESUMEN

La importancia que la Empresa Familiar tiene en la economía actual hace necesario el análisis de los procesos de decisión de estas empresas, particularmente aquellos que tienen que ver con el círculo familiar que ejerce el control de las mismas. Para poder comprender estos procesos y su relación con los subsistemas de decisiones, debemos separar los procesos de la empresa de los procesos familiares, también hay que tener en cuenta que los negocios familiares tienen recursos de la propia familia que están relacionados con el funcionamiento de la Empresa.

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ABSTRACT

The importance that family firms have in today's economy requires that one understands the decision making process in these types of firms, particularly the decision making process that stem from within the family circle that controls the firm. In order to understand these processes and the relationship between the two "subsystems of decision-making" one must separate the family's resources from the family's resources that has been engaged in the business.

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1. Introduction

Family firms have become an important field of study in the last 20 years. The increasing role of these firms in modern economy has drawn the attention of academics. Notwithstanding the terminology used to name these firms, academics became aware that there was very little information about these “economic cells” that represent some of the most important driving forces of today’s economy.

Family firms can be understood as the network of personal and organic relationships, between people belonging to the same family businesses, which influence corporate governance. These networks encompass four dimensions - affective, financial, informative and political – that differ in each firm. The weight of each dimension in each family firm’s network characterizes the degree of influence of corporate governance in the firm. Family firms resort to flexible control mechanisms to solve their internal conflicts (Hirigoyen, 2002). For example, the division of power endorsed to the board of directors (governance structure) and to the directors (executive structure) should help to overcome and/or enable certain issues such as the continuity of family businesses’ ownership control of capital, the legitimacy of that continuity and the economic viability.

Similar to other large organisational structures, family businesses’ also create a set of policies, principles and practical recommendations, in order to position and improve themselves in their domain, as well as to guide their mode of operating and their development. Firms create a number of artifacts and corporate structures in order to reinforce family harmony, ownership and control, the preservation of their wealth, as well as to leave a legacy for future generation, and thus to reinforce family governance (Carlock *et al.* Ward, 2010). Although there is evidence of these artifacts and corporate structures (ex. written mission and values, letter, corporate committees), there appears to be very few studies about family businesses’ behavior. The analysis of family businesses’ behavior presumes understanding the relationship among family members. To be more specific, it requires

the analysis of how family members separate their different roles and interests (personal, family and business), which are sometimes antagonistic. Thus, it requires the analysis of the family’s network of relationships and how they manage to overlap or connect their different roles and interests. According to Rodrigues (2008), this is achieved through the adoption of a “family businesses system” that manages the balance between its members. This systems usually requires that members that take seat in the firms bodies do not accumulate different functions. This enables the members to act more freely and to guarantee more transparency in the presentation of the firms accounts. It also enables members to participate more at liberty in identifying and defining new changes or improvements that have to be made.

In both family firms and family businesses there is a coexistence of bodies of control and bodies of execution, having each its own, that is, a different composition. There are however differences in the governance of family businesses and family firms. In family businesses’ governance focuses fundamentally on having clear rules about the family’s property and how to manage the family firm in a responsible manner that protects and uses its patrimony in a coherent way with the family firm’s past, present and vision of the future. Whereas, management, in family firms, is done directly by the shareholders (or partners). They use different governance mechanisms that do not allow the interference of family businesses issues in the family firm’s aims.

The study of family businesses is still very confined to certain restricted domains and geographical poles and the access to information depends largely on the relationship and trust between the researchers and family members. Therefore, it is not surprising that the analysis of these firms are emerging as small pieces of a larger puzzle that will eventually be possible to piece together in order to have a more holistic view of this field. Our intention in this work is to contribute with one more “puzzle piece”. In order to do so we aim to describe the governance bodies of the family businesses. Thus, the aim of this paper is to present a theoretical exploratory

and descriptive essay about the governance bodies of family businesses and the governance of family firms.

In the first chapter we provide a framework to understand the specificity of family firms, in which we focus on the distinction between family firms and family businesses. It is followed by the explanation why it's important for the family businesses' harmony and peace to separate the family's patrimony and the family's business patrimony, that is, the family's patrimony that is allocated for the business. Last but not least, and before a brief conclusion, we describe six governance bodies of family businesses that should, according to Leach (2011), contribute to the peace and harmony of family businesses.

2. Theoretical framework

In this chapter we present a brief and concise description of the concepts of family firm and family businesses, as well as the reciprocal relationships between them.

2.1. Family firm

The family firm is a firm¹ that has its origins and history linked to a family (Bernhoeft *et al.*, 2003) or a firm that is clearly identifiable with a family for at least two generations (Donelley, 1964). According to Davel *et al.* (2000) to be considered a family firm, a firm must congregate four characteristics, namely:

- a) The family businesses must have ownership of company's property and it can hold total, major or minor control;
- b) The family businesses must influence the definition of the firm's strategic management directives;
- c) The firm's values should be identifiable and influenced by the family's businesses;
- d) The family businesses should determine the succession process of the firm.

There is no consensus as to what type of organisation or firm can be classified as a family firm (Allouche *et al.*, 2000). The main criteria that has been used to classify companies as family firms (Gersick *et al.*, 1997; Dyer, 1983) are linked to the ownership of business, the family values and traditions, the family's control and the influence of family businesses in company management and the control of the succession process. The family firm can be considered as a firm in which one or more families have ownership control and governance and also participate in the management of the firm. As an economic cell the family firm has the same characteristics as any other firm. The fundamental difference lies in the close connection with a family group that has direct influence in its governance and management (Colin *et al.*, 2008). From an economic and juridical standpoint this implies that the family firm must comply with three requisites:

- a) family businesses should be able to exercise shareholders control over the company, either because it has the majority of the votes or because it has the power to authoritatively influence the governance of the company or society in some fundamental aspects.;
- b) family businesses should have a relevant presence in the governing bodies of the company or society;
- c) there should be direct participation of a member of the family in the top management of the company;

However, apart from these three quantifiable requisites what provides the firm with its true "family" specificity is a qualitative variable, namely the assurance of generational continuity as a strategic goal of the firm. The generational continuity stems from the need of founders and successors to maintain ownership control, governance and management in the family (Floriani, 2007).

In any known economy, family firms are fundamental in the economic activity as demonstrated by their participation in creating wealth and employment. Their increasing importance appears to be reflected on their role in driving the entrepreneurial activities, in their

¹ In this work we'll make no distinctions between the concepts of "firm" and "company".

capacity to undertake and their contribute to innovation. Today, family firms face five vital challenges (Steinberg *et al.* Blumenthal, 2011):

- a) assure the continuity of succeeding generations;
- b) increase their dimension;
- c) professionalise their management;
- d) Improve technological and industrial systems of innovation;
- e) Internationalise.

To exceed these challenge family firms must be able to adequately explore their critical factors of success. These can be succinctly summarised in the following (Carlock *et al.* Ward, 2010): company vision; strategic long-term planning; agility and flexibility that's granted by the concentration of ownership; the guarantee of the stability in basic principles and fundamental strategic directives; the development of social responsibility; the quality of goods and services; and, personalised human resource management policies.

2.2. Family businesses

Family businesses can be defined as a group of people with family ties that promote the adoption of "best practices" and the development of competitive advantages in business they own, based on the assumption that these firms were or are a source of generating value for them *elas* (Floriani, 2007; Zapatero *et al.*, 2012). The continuity of family business is generally low in the sense that most firms do not last more than three generations. Nonetheless, most of the "crisis" in these firms stem from involuntary factors, because no businessman, that has founded a firm and has involved his family, would think to jeopardise his business or the family relationships. These crises are a result of unintentional confusion that stems from the system of relationships and idiosyncrasies, between "firm" and "family", in which family members perform different roles, as well as from the lack of information about the specificity of the system. Over time crises may trigger a gradual loss of business competitiveness and

eventually, in some cases, there comes a time when under family ownership the firm may no longer be viable in the market (Kets de Vries *et al.*, 2008; Tondo, 2008). Crises may not only imply the loss of family wealth, but sometimes they lead to the deterioration of family relationships. According to some authors, such as Kets de Vries *et al.* (2008), Leach (2011) and Casillas *et al.* (2005), all the businessmen that accomplished success in their firms and want to maintain ownership, the management and the control in the following generation should seize the opportunity to participate in the process of change of the family businesses, otherwise this change may represent a threat or a weak point. Bornholdt, (2005) refers that, when initiating the change process, one important aspect to be considered is the responsibility of the businessman in preventing and/or avoiding that the relationship between the family and the firm becomes a threat or a risk. According to the author, when a firm cannot attain success in the long term it affects not only the family (owners) but also the other organisational constituents, such as the employees, suppliers, State, clients, financial system, etc.

The process of change of the family businesses is, generally, gradual and structured. It includes the analysis, assessment, definition and implementation of a number of activities in order to:

- a) Assure the competitiveness of the firm and its continuity as a source of economic well-being of the family. This is achieved by implementing "best practices" of management and corporate governance of family owned firms. Thus, this is achieved by professionalizing management. One must not forget that some of these companies operate in highly competitive markets with high risks – economic, financial and reputational – the emergence of new products and new forms of competitiveness that have impacts on company's performance.
- b) Constitute and/or maintain the family, or some members, as part of the work team. For the family business to succeed it's important to maintain the family, that is, a set of people with the same values, goals and rules in relation to the

firm that they own or will own. Thus, the family must be

- 1) United to the family's project in relation to the firm;
- 2) Prepared for the roles that they will have to perform;
- 3) Committed, in order to prevent and avoid the above mentioned confusion between family and business.

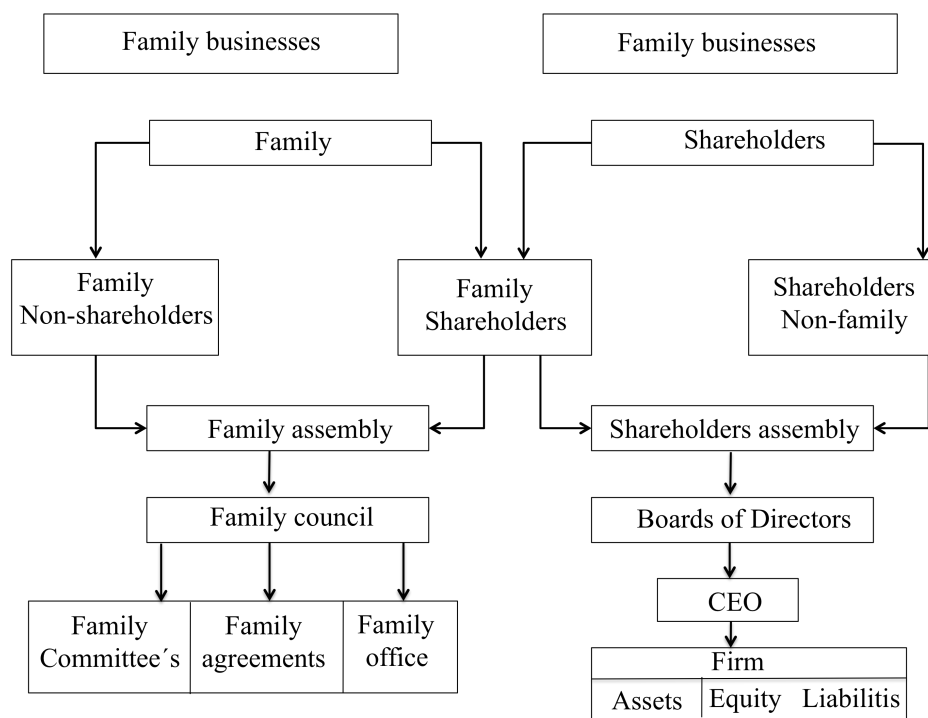
The family businesses has less risk than the family firm. Thus, notwithstanding the fact that most firms tend to lose a significant part of their wealth, and in some cases disappear, during or after the second generation, the former – family businesses – are prone to create more value for its members. When compared to family businesses, the risk for family firms is higher as to the following: integrating new partners; credit rating; stock market entry; asset restructuring. Because the boundary between the family and firm is very diffuse, the participation of the family in the formulation of a family protocol

helps initiate the process of change, but the protocol does not inoculate the family and/or the firm from its conflicts or crises (Bernhoeft *et al* Gallo, 2003; Bornholdt, 2005). Nevertheless, the existence of a protocol prepares the family and/or the firm to handle difficult situation and also to prevent them from occurring. One must note, that a family businesses is not a common family, because it's a family that has professional and corporate ties. In the long term the survival of family businesses requires not only suitable policies of consumption and investment, but also the constant reinforcement of moral values upon which the family's wealth was created in its previous generations. The evolution of these firms and the need to manage the increasing complexity of both family and firm also requires the formulation of family agreements.

Family firms face exactly the same problems as publicly traded companies added to the problems connected with the family (Colin *et al* Colin, 2008). Similar to any other company, it is

Figure 1

Structures and Complexity Of Family businesses.



common to promote people, to compromise and monitor them in achieving the company's goals, to fire them if they don't comply with the job's requirements or the firm's goals, and so forth. The difference in a family firm is that these decisions affect members of the family - a father, a sibling, a son or daughter, a cousin - which amplifies their magnitude and have repercussions within the family businesses. These repercussions depend on family businesses' behavior and, more specifically, on how they communicate and on their values. Most family businesses face these processes without big trauma, because they have structures, organizational cultures and values that enable them to discuss matters and solve conflicts, that is, they have structures that enable them to create consensus. Some family businesses' conflict is constant and that leads them to separate. Other family businesses don't have any discussion and simply avoid conflict, and there are a few that simply live resentful.

Notwithstanding family businesses' choices in solving their problems, there is a way to minimise the impacts of these problems and that is to establish a form of organisational governance for each of the subsystems (Figure 1). In family businesses the separation between the public and private arena appears to be clear in the firm's formal discourse but in practice it appears undistinguishable and difficult to accomplish. For both subsystems to coexist, in peace and harmony, the overlapping of roles performed by members of the family businesses should be avoided. Next we'll present the Governing bodies of family businesses.

3. Governing bodies of family businesses

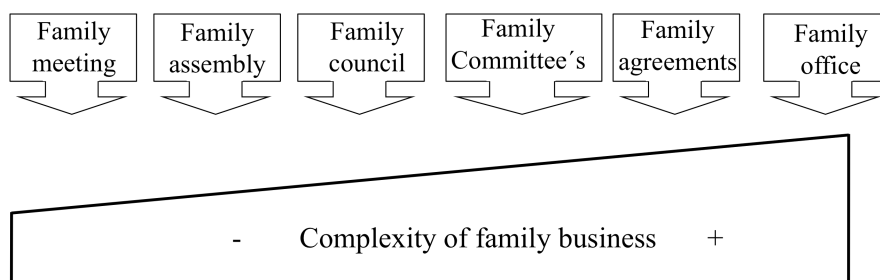
As the complexity of the family firm increases (second generation siblings, cousins consortiums) more complex the family businesses becomes (Figure 2). It then becomes necessary to create formal mechanisms of coordination, planning and organisation of family meetings. In this paper we distinguish six levels of complexity of family businesses bodies, namely: family meeting; family assembly; family council; family committee; family agreements; and family office.

3.1. Family meeting

The family meeting is the simplest form of organising family businesses encounters (Casillas *et al.*, 2005). Family meeting are found in first generation family firms constituted by only one family cell, that usually includes the businessman, the spouse and their direct descendants. The simplicity of this form of encounter requires no formalisation. Most of the times, meetings are held during meals and/or in convivial situations. When there are no descendants or when they're underage, the meetings are no more than conversations between the couple. The content of the meetings depends, mainly, on the life cycle stage the family businesses' members are in. In the first stage the meetings focus on the distribution of domestic tasks, the payment of education fees and allowances for their children, and planning leisure. In this stage the businessman tries to communicate, in an implicit manner, the culture

Figure 2

Complexity of the family bodies.



values that shape his business activity. As the children grow older, other themes are addressed in family meetings. These include information about the rights and obligations of owners and managers, the family business' expectations and the development plan to achieve them, as well the planning of the children's business education. In this stage the firm's culture is communicated explicitly to the children. In the final stage, when the children or descendants are old enough to make their career choices, and/or define their career paths, the family meetings focus on the debate about the aspirations and intentions of both parties, that of the businessman and the descendants, about the future of the family firm.

3.2. Family assembly

The family assembly is a representative body of the family businesses (Bornholdt, 2005; Carlock *et Ward*, 2010). It consists of a formal meeting in which participate all members of the family that have ownership of the firm. The family assembly is a specific and institutionalised body of family firms that have surpassed the stage that the firm had only one family cell. It is present in firms owned by siblings or cousins' consortium that don't have a large number of members. Usually it's the family member that's responsible for the governance of the family firm or responsible for the leadership and control of the executives' functions that calls the family assembly. Nevertheless, this is not mandatory. One of the sensitive matters in relation to the family assembly is the criteria used to select who participates. Some of those criteria include: age; "next of kin" or related family; requirements to vote, etc. The way the family assembly operates should be regulated by the family protocol that defines the following: who will chair the assembly; the frequency of the meetings; the criteria to vote; and all the matters the family businesses considers important. The meetings generally take place once or twice per year. The decisions made in family assembly generally focus on:

a) Dividend policy;

- b) The design and election of the Board;
- c) Directors' performance appraisal;
- d) The goals of business' revenue

3.3. Family council

As the complexity of the family firm increases the family assembly becomes an insufficient structure to organise efficaciously the complicated web of family and business relationships. To obviate this problem, family businesses should, according to Leach (2011) and Floriani (2007), consider the implementation of a family council. The family council is ore restricted than the family assembly and it represents the different branches of the family (Leach, 2011; Floriani, 2007). Unlike the family assembly, the family council is a fixed structure that meets frequently to discuss current firm and family issues. Thus, the family council regulates the family businesses relationships with other subsystems of the three-dimensional model (ownership and business). The family council is, as mentioned before, a restricted group designed to discuss family issues and to align and/or fit the expectations of the members of the family businesses in relation to the organisation. The family council is the body responsible for the preparation and formalisation of the document that regulates all the activities and relationships within the family firm, that is, it's responsible for the creation of the Family Protocol.

As the main practices of the family council one can highlight the following:

Definition of limits between family and business interests;

Preservation of family values (concerning history, culture, and shared vision);

Definition of criteria to protect wealth, to increase growth, diversification and to manage movable and immovable assets;

a) Designing of mechanisms that enable to anticipate solutions in case partners exit the firm;

b) Succession planning , the transmission of goods and heritage;

- c) Visualising the firm as a factor of unity and continuity of the family;
- d) Safeguard the family members for the succession in the firm, by taking into consideration the vocational aspects, professional future and continuous education of family members;
- e) Definition of criteria to appoint members for the board of administration.

The aims of the family council, as a governance body of the family businesses, must not be confused with the goals of the board of administration (administration body of the family firm). The aims of the family council are to manage the balance between the different branches in the family and to define the grand strategies for the family firm.

3.4. Family committees

The family council can create specialised committees ad-hoc every time it considers necessary. In general, the purpose of these committees is to approach, research and recommend solutions for specific issues that preoccupy the family businesses (Bornholdt, 2005).

3.5. Family agreements

When family firms and family business increase their complexity there is a need to establish agreements and consensus amongst family members. The family agreements are expressed in the “family Protocol” and they represent a fundamental instrument of management in these type of firms (Bernhoeft *et al.* Gallo, 2003; Bornholdt, 2005; Carlock *et al.* Ward, 2010; Leach, 2011). Although the agreements are more emotional than rational, what is important is not what so much the written word (what is formalised) but what the people involved think and feel about it. The formulation of a legally written family protocol can be one of the most valuable assets or legacy the family leaves to future generations. This is so, because there is nothing more painful, in a family firm, than disagreements that expose old family

wounds and misunderstanding and lead members to become inflexible, polarise their positions and oppose each other. If the latter happens the firm becomes simultaneously a witness and a hostage of the family businesses. Nonetheless, firms tend to prevent this type of conflicts by creating, through consensus, a set of behaviour guidelines to minimise conflict and avoid wrongful decision making. Hence, in this sense the family protocol serves as a preventive method of solving problems that may arise in the future (Steinberg *et al.* Blumenthal, 2011).

The family protocol should be consensual and unanimous agreement developed by the family members of one or more ownership families and the family firm. The formalisation of the agreement is important for it to serve as the basis for the code of conduct of the firm, which embodies a set of rules about work, governance and ownership. These rules regulate the relationship between the family members and between the family and the firm. Hence, the purpose of the family protocol is to regulate the corporate organisation and the professional and economic between the family and the firm relationships (Tondo, 2008). The family protocol also emerges as a solution to address the ever-present problem in these firms, namely, the connection among capital ownership, governance and succession.

On the overall, the family agreements’ mission is to serve as an instrument to regulate all the aspects related to the family firm. The formulation of the rules that constitute the family agreements must meet with some basic requirements, such as:

- a) Good communication;
- b) Generosity and respect among family members;
- c) Recognition of respect as a fundamental quality;
- d) Commitment with the business’ success;
- e) To take responsibility for the work that is done;
- f) To invest in family training;

- g) To fulfil the professional expectations of the family leaders;
- h) To be able to separate family problems from business problems;
- i) Kindness and ethics;
- j) To be able to achieve consensus about the members of family businesses which are involved in the family firm.

Thus, the family protocol is formalised and legal document, signed by all the members of the family businesses. It represents the commitment and the compliance with the rules that were defined. The legally binding aspect of the protocol and the pledge taken by family members, guarantees that it will be applied in peace and harmony, without distrust. Eventually, when applied by future generations it will be institutionalised as the code of the family businesses.

From the point of view of the family businesses' the family protocol should help promote unity and harmony, among family members. It should also reinforce the commitment of members in assuring the continuity of the firm, the family ownership and the values that it's built on (Tondo, 2008). the family protocol can have strict and inflexible rules. For example, it can determine the specific training the descendants must have and/or the requirements that members of the family businesses, without specific training, must have to be included in the family firm. The success of the family protocol depends highly on the clearness of the rules and on their explicit communication and explanation to each member of the family. The ideal is every one of them has internalised these rules before they have to comply with them. And, even if eventually it's considered necessary to change these rules, it is vital that all the members involved understand the benefits of the existence of a family protocol. In the formulation of the protocol it's important to start off by defining the philosophy and the vision of members about the family businesses before defining the particularities and/ rules. The shared vision is important to define the rules in the protocol. In sum, the family protocol

represents the trump card/fundamental card of the family businesses.

There is no single model of family protocol. Each family decides what is included, that is, regulated by the protocol. Thus, all members of the family businesses know what the norms they have to abide with are, how they can and should interact in the family firm and what they can expect. Those that manage the family firm should also respect and follow the guidelines in this agreement. The family protocol is a vital document because even if it's possible, in family firms with just one founder, to survive without it in the first and second generations (sons and/or daughters), the same cannot be said in the third generation and/or when the successors are, for example, cousins.

3.6. Family office

The literature on family office is still scarce. Family office is a construct that appears to designate an organisational entity or structure which centralises the management of the family businesses' wealth, as well as risk, in order to ensure its continuity between generations (López *et al.*, 2011). Thus, the family office emerges as a legal institution that is engaged in the organisation, preservation and growth of the family businesses' wealth (Wilson, 2012). This is achieved through the following (Wilson, 2012): global management of the wealth; efficient allocation of assets; succession planning; fiscal policy; training and preparation of future generations (the young members of the family businesses); the coordination of philanthropic practices. The main motivation behind family businesses' adoption of family office appears to be the need for privacy, control, flexibility and an individualised service (López *et al.*, 2011). The family businesses' need for privacy about their wealth may explain the lack of information about family office.

3.6.1. The concept of family office

The traditional concept of family office focusses on a business that is managed by one and for one only family businesses that aims to

centralise all the management of the family's common wealth. Usually, the family office has its own human resources to manage their activities, namely, investments, taxes, philanthropy, the heritage, as well as legal matters. The family office's main aim is to guarantee the transference of wealth between generations of the family businesses. Thus, it invests the family's money, manages its assets and pays the members of the family businesses according to their necessities or requests (Wilson, 2012). Depending on its conceptualisation, the family office can encompass a multiple organizational structures. These structures can go from a single member of the family businesses that performs administrative tasks to a family businesses member with his/her family performing different types of tasks, or even a team of professionals concentrating on investments, accountancy, legal matters and personal services of the family businesses. The family office might have the competences required to achieve its aim or it subcontract them. It all depends on how much wealth it has to manage, its degree of diversity or its complexity. In sum, we can define family office as a multidisciplinary organisation that serves one or more family businesses. The family office provides these family businesses with an exclusive counselling service that focuses essentially on their idiosyncratic interests about their wealth. This presumes that the family businesses has a long term and trans-generational commitment with the business.

3.6.2. Family offices principles

As above-mentioned, it is not easy to define family office because the literature on this subject is scarce. However, the different conceptualisations enable one to draw some macro principles about this construct, namely:

- a) Trust: the family office plays a major role in fostering trust and protecting and advocating the family businesses in its relationship with the outside environment;
- b) Expertise: the family office holds, for each moment or step, the experience and technical skills required for the newest

innovations. It also has the capability to mobilise groups of specialists to solve complex problems that are presented by clients, with creativity.

- c) Absence of conflict of interests: the family office's is structured to work with the best specialists in the market in order to defend the interests of its clients. Therefore, in no circumstances should it be prone to conflict of interests.
- d) Capacity to execute: the family office should be able to execute without faults and in a continuous manner the set of operations defined and/or required.
- e) Transparency: the client should know and understand the cost of its family office, that is, of the direct and indirect rewards (wages, commissions, fees).

From these macro principles one can deduce that the family office, as an independent operational structure, is responsible for the management of all the assets that belong to the members of the family businesses and not to the family firm.

3.6.3. Family office business models

Although it is not legally mandatory the family protocol can be protected and the management of the wealth can be confined to a foundation, recognised and protected by law. In these cases, instead of each heir detaining a percentage of the family firm's capital, the detain rights which are inalienable in the market. Each branch of the family, or families, will also have a share that corresponds to the beginning of the business. Regardless of the number of descendants of each branch, its unity will not be fractioned. There seems to exist three models of family office, each with its advantages and disadvantages:

- a) Single family office (works for one family): it's generally a structure which the sole activity is to manage the family's wealth.
- b) Multi-family office (also known as institutional): this family office's activity is for several family businesses clients. It's an independent institution that flourishes through

the quality of the services it provides. The multiple-family office has different shareholders and, sometimes, it's supported by banks that operate in the market or which they're associated with.

c) Other forms of family office: this third type refers to a hybrid family office. Notwithstanding its independent character, this type of family office is formed by highly qualified and specialized professionals, which manage the family's wealth (lawyers; accountants, tax experts, notaries, etc.). And/or by some banks that have integrated this activity and have created specialized departments for it. For example: Fortune Management Department.

Thus, family office appears to emerge as a counselling organization for one or more family business to whom they present global solutions to increase their wealth. Still, the family office counselling is not only on financial management. It may also focus on specific necessities and/or issues the family businesses have to deal with, namely: fiscal; family governance; education; philanthropy. In congruence with the family businesses aims, the role of the family office is to create suitable policies for these issues. These policies can be of a strategic, operational or social nature. They can define the family values that will be conveyed, the appropriations of funds and the philanthropic coordination. The family office differs from the consulting management of family wealth because it ensures the execution of the decisions made by the family businesses. It serves the former with solutions for their clients. To ensure the execution of the decisions made, the family office works closely with the managers that work in the family firm. Nevertheless, they are responsible for the final result (success unsuccessfulness) of the implementation. Its work is continuous and it's supported on reporting about quality, summaries of the activity and pedagogical reports. The reports are the basis of decision making and an instrument of dialogue with the family businesses. Sometimes, adopting a long term or trans-generational view, the the family office organises and offers a set of customised services to synchronize the interests of the family

businesses. These services include a whole range of activities, such as wealth and financial engineering; portfolio management; legal and tax matters; risk-management, trustee service; daily help; family governance; philanthropy. The rewards of the members of the family office usually consist of wages, fees or commissions. The latter requires particular transparency and trust with the clients.

4. Endnote

Family firms are one of the driving forces of today's economy. Thus, it is relevant to study them and, more specifically, to understand the structures that support their decision making processes. Considering, on the one hand, the relevance of family firms and, on the other hand, the scarcity of specific studies on this subject, it was our aim to bring some light on the concepts and functioning of family firm and family businesses. Our brief summary suggests that it is necessary to adopt more holistic approaches in order to capture not only the specificities of this field but also what is not formalised or documented. It is also important to clarify and separate the concepts of family firm and family businesses and to understand more in depth their relationship.

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